

BEFORE THE PUBLIC SERVICE COMMISSION  
OF THE STATE OF MISSOURI

FILED  
AUG 20 2002  
Missouri Public  
Service Commission

In the Matter of Laclede Gas )  
Company's Tariff to Revise Natural ) Case No. GR-2002-356  
Gas Rate Schedules. )

PARTIAL STIPULATION AND AGREEMENT

On January 25, 2002, Laclede Gas Company ("Laclede" or "Company") submitted to the Missouri Public Service Commission ("Commission") revised tariff sheets reflecting increased rates for gas service provided to customers in its Missouri service area. The proposed tariff sheets contained a requested effective date of February 25, 2002 and were designed to produce an annual increase of approximately 6.3 percent (\$36.092 million) in charges for gas service. In addition to the proposed tariff sheets, the Company also submitted its minimum filing requirements and prepared direct testimony in support of the requested rate increase.

By Order dated January 31, 2002, the Commission suspended the proposed tariff sheets and established a procedural schedule for interventions and evidentiary hearings. On March 19, 2002, the Commission issued its Order in which it established additional and revised procedural dates, adopted a test year and true-up procedures and granted various applications to intervene. Specifically, the Commission granted the applications to intervene filed by Union Electric Company d/b/a AmerenUE; the Missouri Energy Group (Barnes-Jewish Hospital, Emerson Electric Company, SSM HealthCare, and St. John's Mercy Health Care); Missouri Industrial Energy Consumers (Adam's Mark Hotels, Alcoa Foil Products, Anheuser-Busch Companies Inc., The Boeing Company, DaimlerChrysler, Ford Motor Company, General Motors Corporation, Hussmann

Refrigeration, Monsanto Company, Proctor & Gamble Manufacturing Company, Nestle Purina PetCare Company, Solutia, and Tyco Healthcare); and the Paper Allied-Industrial, Chemical and Energy Workers Local 5-6, AFL-CIO.

By Order dated May 23, 2002, the Commission scheduled local public hearings in this matter which were subsequently held on August 13 and 14, 2002.

Pursuant to the procedural schedule established by the Commission, a prehearing conference was convened on July 8, 2002. All of the above Parties appeared at the prehearing conference. As a result of the prehearing conference and further discussions, the undersigned parties (the "Parties") have reached the following partial stipulations and agreements resolving all revenue requirement issues in this case.

Laclede respectfully requests that the Commission endeavor to determine the remaining contested issues in this case in time to permit such increase to become effective on November 1, 2002 for service rendered on and after such date. No party objects to Laclede's request, and to make such a decision feasible the Parties agree to recommend a briefing schedule that would permit the briefing process to be completed during the first week of October.

#### **Revenue Requirement**

1. The Parties agree that the Company shall be authorized to file revised tariff sheets containing rate schedules for natural gas service designed to produce an increase in overall Missouri jurisdictional gross annual gas revenues of Fourteen Million Dollars (\$14,000,000), exclusive of any applicable license, occupation, franchise, gross receipts taxes or other similar tax or taxes. This recommended increase in Missouri jurisdictional revenues resolves all revenue requirement issues in this case. The revised rate schedules

as described above shall reflect the foregoing revenue increase, the resolution of the issues set forth in Paragraph 17, and the estimated impact of any rate switching that may occur as a result of the revenue and rate design changes made in this proceeding. By December 1, 2002, Laclede shall provide written notification of the rate changes proposed herein to those customers who may find it economically beneficial to switch rate classifications based on the rates proposed herein.

### **Tariff Modifications**

2. The Parties agree that the Company's tariff provision relating to discontinuance of service, as set forth on P.S.C. MO. No. 5 Consolidated, Second Revised Sheet No. R-12, Rule No. 14(1)(E), shall be modified to clarify the circumstances under which the Company may discontinue service to facilitate obtaining access to a customer's premise for the purpose of making safety inspections mandated by the Commission's pipeline safety rules. Specifically, the words "or failure" shall be inserted after the word "[r]efusal" in the first sentence of subsection (E) to indicate that a customer's refusal or failure to grant such access after reasonable notice shall be a cause for discontinuance.

### **Pensions and Other Post-Employment Benefits**

3. The Parties agree that, effective October 1, 2002, the rates established in this case for the Laclede Division and Missouri Natural Division pension plans are based on an ERISA Minimum Contribution of zero as determined by the Company's actuary, notwithstanding the amortization of the prepaid pension asset as described below. The Parties further agree that Laclede Gas Company shall be authorized to revert to the

accounting policy it originally implemented upon adoption of FAS 87, for financial reporting purposes only, effective October 1, 2002, including without limitation:

- (a) Market Related Value implemented prospectively over a four-year period.
- (b) Amortization of unrecognized gains or losses only to the extent that they fall outside of a 10% corridor as described in FAS 87 and FAS 106.
- (c) Amortization of unrecognized gains or losses falling outside of the 10% corridor over the average remaining service life of participants.

4. The Parties agree that gains and losses for all pension lump sum settlements shall be calculated only to the minimum extent permitted by FAS 88. The Company shall also be authorized to record as a regulatory asset/liability, as appropriate, the difference between the pension expense used in setting rates (Minimum ERISA contribution plus the amortization described below) and pension expense as determined pursuant to FAS 87 and FAS 88. This regulatory asset/liability shall be included in the Company's rate base in future rate proceedings. The prepaid pension asset, on the Company's books at October 1, 2002, is the maximum amount that will be considered for inclusion in rate base in future rate proceedings, so long as the ERISA Minimum method of determining pension expense prescribed herein is in effect. The Parties further agree that the Company shall reduce the regulatory asset/liability by Three Million, Four Hundred Thousand Dollars (\$3,400,000) on an annual basis. Such amortization shall commence on July 1, 2003 and shall be re-evaluated in the Company's next rate case proceeding. The rates established in this case for the SERP and Directors Retirement Plan are based on actual payments to participants under these plans.

5. The Parties agree that the rates resulting from this case also make provision for the recovery of Other Post-Employment Benefits (“OPEBs”) costs on a FAS 106 basis. The Parties further agree that the Company shall be authorized to change its accounting policy relative to OPEBs to that specified for FAS 87 above, for financial reporting purposes only, effective October 1, 2002. For ratemaking and funding purposes, the OPEBs expense will be determined using the market related value implemented prospectively over a four year period and a five-year amortization of the most recent five-year average of the balance of unrecognized gains and losses, as calculated by the Company’s actuary. The Company shall be authorized to record the difference between OPEBs as calculated for rates and FAS 106 as calculated for financial reporting purposes as a regulatory asset/liability, as appropriate. The Company shall also calculate a prepaid OPEB asset/liability for the difference between OPEB funding and the FAS 106 expense reported for financial purposes, that completely offsets the regulatory asset or liability. The net of the OPEB regulatory asset or liability and the OPEB prepaid asset/liability will be included in rate base in future rate proceedings.

**Uncollectible Expense/Cold Weather Rule**

6. The rates recommended herein reflect an imputed annual revenue level of Seven Hundred and Fifty Thousand Dollars (\$750,000) for the recovery of incremental bad debt expense related to the implementation of the Emergency Cold Weather Rule Amendment (“Emergency Amendment”) approved by the Commission in Case No. AX-2002-203. For purposes of tracking and determining the actual bad debt expense related to the implementation of such Emergency Amendment, the Parties agree that the minimum level of such expense shall continue to be determined in accordance with the

principles set forth in Attachment 2 to the Unanimous Stipulation and Agreement approved by the Commission in Laclede's last rate case proceeding, Case No. GR-2001-629, provided that any Party shall remain free to assert that the proper incremental cost of the Emergency Amendment exceeds such minimum level. The Parties further agree that the difference between the: (a) ongoing amount of such expense reflected in rates pursuant to this paragraph, plus the amounts previously imputed in rates; and (b) the calculation of actual bad debt expense incurred as a result of the Emergency Amendment (as finally determined from an evaluation of the September 30, 2003 arrearages of customers taking service under the Emergency Amendment) shall be refunded or recovered from customers in accordance with the procedures set forth in paragraph 5 of the Unanimous Stipulation and Agreement approved by the Commission in Case No. GR-2001-629.

#### **Depreciation Issues**

7. The Parties agree that the Company's depreciation reserve shall be amortized at an annual rate of Three Million Four Hundred Thousand Dollars (\$3,400,000). Specifically, an annual negative amortization of Two Million Four Hundred Thousand Dollars (\$2,400,000) shall be booked to the reserve for account 376.01 – Steel Mains, and a negative annual amortization of One Million Dollars (\$1,000,000) shall be booked to the reserve for account 380.02 – Plastic & Copper Services. These amortizations shall commence on July 1, 2002, and, as described below, shall be reevaluated in the Company's next general rate case proceeding. The Parties further agree that the depreciation rates as set forth in Attachment 1, which is attached hereto and incorporated herein for all purposes, shall become effective January 1, 2003.

The Parties also agree that cost of removal shall continue to be treated as an expense in this case. The Company, Staff and Public Counsel agree to meet within sixty days of the issuance of the Company's first quarterly 10Q filing for fiscal 2003 - and reexamine in advance of the Company's next rate case what ratemaking treatment should be afforded to the Company's removal costs and depreciation reserve in light of the Company's implementation of Financial Accounting Standards Board Statement No. 143. If an agreement regarding such treatment cannot be reached prior to the filing of the Company's next general rate case proceeding, each Party shall be free to recommend whatever ratemaking treatment they believe is appropriate for such items. It is expressly understood that this agreement relating to depreciation rates and the treatment of net salvage costs and the Company's depreciation reserve shall not be cited or relied upon in any judicial review proceeding to prejudice the right of any Party to challenge the lawfulness or reasonableness of any methodology or principle underlying such rates or depreciation treatment generally and no Party shall be deemed to have acquiesced in or approved of such methodology in any such proceeding.

8. The Parties further agree that in the event the Company commences the dismantling of any of its natural gas holders prior to its next general rate case proceeding, that the reasonable and prudent costs incurred by the Company in connection with such dismantling shall be debited to the Company's depreciation reserve. To provide an initially sufficient reserve for such dismantling costs, the Company shall be authorized to make an initial transfer on January 1, 2003, of Five Million Dollars (\$5,000,000) to the reserve for account 362.00 - Gas Holders from the reserve for account 380.01 - Steel Services. Nothing herein shall prohibit either the Company or any other Party from

proposing an alternative prospective treatment of such costs in any future general rate case proceeding. The Company agrees to keep Staff and Public Counsel informed of its plans in connection with any dismantling activities.

#### Accounting Authorizations

9. The Parties agree that Laclede shall be granted accounting authorization to continue to defer and book to Account 182.3 for consideration in Laclede's next general rate case proceeding all costs incurred by Laclede between August 1, 2002, and the earlier of: a) the effective date of the rates established in Laclede's next general rate case proceeding; or b) the beginning of the deferral period of any subsequent accounting authority order granted by the Commission for costs incurred by the Company: (i) to replace unprotected bare steel service and yard lines and to move and reset and/or replace meters in connection therewith and to replace and/or cathodically protect unprotected steel mains and to transfer services from the old main to the new main in connection therewith, as required by the Order in Case No. GO-91-239, as modified by the Order in Case No. GO-99-155; (ii) to replace cast iron mains and to transfer services from the old main to the new main in connection therewith, as required by the Order in Case No. GO-91-275; and (iii) to replace, relay or renew direct buried copper service lines as required by the Commission's Order in Case No. GO-99-155.

10. All such costs shall include, without limitation, any applicable property taxes, depreciation expenses, and all other expenses and carrying costs (at the overall rate of interest calculated pursuant to the Federal Energy Regulatory Commission formula for computing AFUDC as set out at 18 CFR Part 201, minus one percentage point). Laclede shall continue to provide to the Financial Analysis Department of the Staff, and Public

Counsel, as part of its Monthly Surveillance Report an ongoing quantification of the amounts deferred pursuant to these accounting authorizations. Deferrals under these accounting authorizations shall cease unless a general rate relief request by Laclede Gas Company is filed no later than two years after the effective date of the Commission Order approving this Stipulation and Agreement. The Parties also agree that a regulatory asset equal to the balances deferred pursuant to Case No. GR-2001-629 shall be established with a balance of Three Hundred Twenty One Thousand, Six Hundred and Fifty Seven Dollars (\$321,657), effective August 1, 2002. One-tenth of this balance has been included in the cost of service recognized in this proceeding and one-tenth of such balance shall continue to be amortized annually in cost of service for ratemaking consideration for the next subsequent nine years. The cost of service also includes a continuation of the amortizations previously approved by the Commission in connection with these safety-related programs.

11. The Parties agree that Laclede shall, for book purposes, be authorized to continue to normalize the income tax timing differences inherent in: (a) the recognition of pension costs and OPEB costs as authorized in Paragraphs 3, 4 and 5 of this Stipulation and Agreement; and (b) the adoption and/or continuation of the deferred accounting referenced in Paragraphs 6, 9 and 10 of this Stipulation and Agreement; by recording and recognizing in any future rates deferred income tax expense for such differences, provided that the Parties shall have the right to review and propose a different treatment of such timing differences in Laclede's next general rate case proceeding.

### Off-System Sales/Capacity Release Revenues

12. The rates recommended herein reflect an imputed level of revenue in the amount of Three Million Eight Hundred Thousand Dollars (\$3,800,000) for the release of pipeline capacity and off-system sales. In exchange for this imputation, the Company shall be permitted to retain 100% of any revenues realized from such transactions during the period the rates established in this proceeding are in effect. It is expressly understood that during such period no other treatment of such revenues shall be implemented as the result of any action taken in another Commission case, except upon mutual recommendation of the Parties and approval by the Commission. The Company also agrees to document and provide a rationale for any instance where it makes an off-system sale of gas that utilizes gas supplies with a commodity cost that is lower than the highest commodity cost of gas available and purchased by the Company for system supply on any pipeline on the day the sale is made. Consistent with its goal of maximizing the net revenues available from the release of pipeline capacity and the sale of gas off-system and subject to the following provision, the Company fully intends, in those instances where either an off-system sale or a release of capacity can practically be made on the same pipeline, to execute the transaction that will create the highest net margin or capacity release credit. For capacity that is available for one month or greater and is not backed up by gas supply, the Company shall provide documentation and an explanation to Staff and Public Counsel of the process it uses to select the transaction that will create the highest net margin or capacity release credit. The Company, Staff and Public Counsel further agree to meet within 90 days of the Commission's approval of this Stipulation and Agreement to discuss the nature and character of the Company's off-system sales

activities and attempt to reach a mutual understanding regarding the impact of such transactions. The Parties further agree that the Company's tariff relating to off-system sales shall be modified to incorporate by reference therein the terms of this Paragraph 12 of this Stipulation and Agreement. Attachment 2 to this Stipulation and Agreement, which is incorporated herein for all purposes, is a copy of the modified off-system sales tariff. In the event of a conflict between this Paragraph 12 of this Stipulation and Agreement and the Company's off-system sales tariff, Paragraph 12 of this Stipulation and Agreement will be controlling.

**Billing Determinants for Rate Design**

13. The Parties agree that an annual heating degree day level of 4,718 shall be used to calculate the billing determinants for all rate design purposes.

**Provision of Additional Information**

14. The Company agrees to cooperate with Staff, Public Counsel and other interested Parties in the development and completion of a water heating analysis and other information in accordance with the requirements set forth in Attachment 3, which is attached hereto and incorporated herein for all purposes. The Company also agrees to cooperate in the development and completion of new cost of service studies and data for its Commercial and Industrial General Service and Commercial and Industrial Seasonal Service rate schedules. The Company will meet with Staff, Public Counsel and other interested Parties within 90 days of the Commission's approval of this Stipulation and Agreement to discuss what type of studies and data would be useful for this purpose and to develop a timeframe for developing and providing such information. The Company also agrees to collect, and provide to Staff, Public Counsel and the industrial participants

in this proceeding at the time of its next rate case filing, individual monthly customer billing demands for its Large Volume, Service and Large Volume Transportation and Sales Service rate schedules for the most recent five year period or such shorter period that such information is available.

#### **Laclede Energy Services**

15. The Company agrees that all costs related to service provided by Laclede Energy Services to entities other than Laclede Gas Company shall be removed from cost of service.

#### **Weather AAO Request**

16. Upon approval of this Stipulation and Agreement, the Company agrees to withdraw its request in Case No. GA-2002-429 for an Accounting Authority Order. Pending such approval, the Parties agree to request that the proceedings in Case No. GA-2002-429 be stayed.

#### **Unresolved Issues**

17. This Stipulation and Agreement resolves all remaining issues in this case except the non-revenue requirement issues of: (a) how the rate increase should be allocated among and within the Company's rate schedules; (b) what kind of weather mitigation clause or weather mitigation rate design, if any, should be approved by the Commission; and (c) whether the Commission should adopt a gas supply incentive plan for the Company as part of Public Counsel's weather proposal.

#### **Other Provisions**

18. None of the signatories to this Stipulation shall be deemed to have approved or acquiesced in any ratemaking or procedural principle, including, without

limitation, any method of cost determination or cost allocation, depreciation or revenue related methodology or any service or payment standard, and none of the signatories shall be prejudiced or bound in any manner by the terms of this Stipulation in this or any other Commission, judicial review or other proceeding, except as otherwise expressly specified herein. Nothing in this Stipulation and Agreement shall preclude the Staff in future proceedings from providing recommendations as requested by the Commission.

19. This Stipulation and Agreement has resulted from extensive negotiations among the signatories and the terms hereof are interdependent. In the event the Commission does not approve this Stipulation and Agreement by September 15, 2002, or as soon thereafter as is reasonably practicable, or approves this Stipulation and Agreement with modifications or conditions that a Party to this proceeding objects to, then this Stipulation shall be void and no signatory shall be bound by any of the agreements or provisions hereof.

20. In the event the Commission accepts the specific terms of this Stipulation and Agreement, the Parties waive, with respect to the issues resolved herein: their respective rights pursuant to Section 536.080.1 (RSMo. 2000) to present testimony, to cross-examine witnesses, and to present oral argument and written briefs; their respective rights to the reading of the transcript by the Commission pursuant to Section 536.080.2 (RSMo. 2000); and their respective rights to judicial review of the Commission's Report and Order in this case pursuant to Section 386.510 (RSMo. 2000).

21. The Parties agree that all of the prefiled testimony submitted by Laclede, Staff, Public Counsel, AmerenUE and MIEC relating exclusively to any issue resolved by

this Stipulation and Agreement shall be received into evidence without the necessity of their respective witnesses taking the stand.

22. The Staff shall file suggestions or a memorandum in support of this Partial Stipulation and Agreement and all other Parties shall have the right to file responsive suggestions within five (5) business days of receipt of Staff's memorandum, a responsive memorandum that shall also be served on all Parties.

23. The Staff shall also have the right to provide, at any agenda meeting at which this Partial Stipulation and Agreement is noticed to be considered by the Commission, whatever oral explanation the Commission requests, provided that Staff shall, to the extent reasonably practicable, provide the other Parties with advance notice of when the Staff shall respond to the Commission's request for such explanation once such explanation is requested from Staff. Staff's oral explanation shall be subject to public disclosure, except to the extent it refers to matters that are privileged or protected from disclosure pursuant to any protective order issued in this case.

WHEREFORE, for the foregoing reasons, the undersigned Parties respectfully request that the Commission issue its Order approving all of the specific terms and conditions of this Partial Stipulation and Agreement.

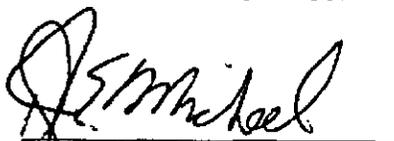
Respectfully submitted,

DANA K. JOYCE  
General Counsel



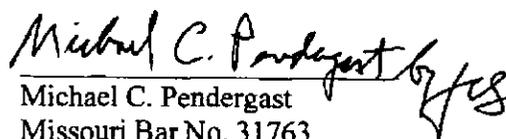
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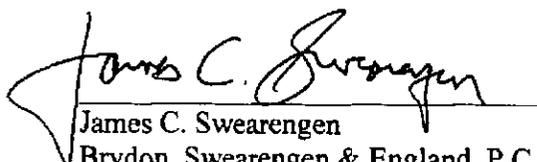
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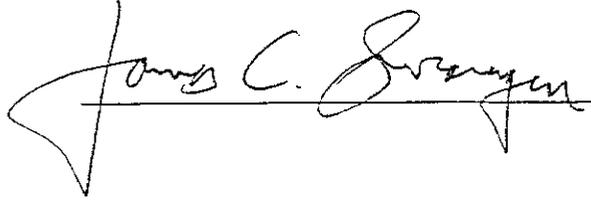


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GAS COMPANY

**CERTIFICATE OF SERVICE**

I hereby certify that a true and correct copy of the above and foregoing document was sent by U.S. Mail, postage prepaid, or hand-delivered, on this 20<sup>th</sup> day of August, 2002, to all parties of record.

A handwritten signature in black ink, reading "James C. Swanson". The signature is written in a cursive style and is positioned above a horizontal line that extends across the width of the signature.

LACLEDE GAS COMPANY DEPRECIATION		CASE NO. GR-2002-356			
ACCOUNT NUMBER	ACCOUNT	DEPRECIATION RATES (%) 1-1-03	AVERAGE SERVICE LIFE (YEARS)	NET SALVAGE (%)	IOWA CURVE
305.00	STRUCTURES & IMPROVEMENTS	1.64%	61	0	R1
307.00	OTHER POWER EQUIPMENT	3.13%	32	0	R3
311.00	LPG EQUIPMENT	3.13%	32	0	R0.5
311.10	LPG STORAGE CAVERNS	1.11%	90	0	
351.20	COMPRESSOR STATION STRUCTURES	4.76%	21	0	S1
351.40	OTHER STRUCTURES-UND. GND. STOR.	1.69%	59	0	R1
352.01	WELLS / RESERVOIRS-UND. GND. STOR	0.00%	90	0	R3
353.00	LINES-UND. GND. STOR.	1.11%	90	0	
354.00	COMPRESSOR STATION EQPT	1.11%	90	0	S0.5
355.00	MEASURING & REGULATING EQPT.	1.75%	57	0	R1
356.00	PURIFICATION EQPT.	1.67%	60	0	R1
357.00	OTHER EQPT.	4.55%	22	0	L2
361.00	STRUCTURES-OTHER STORE PLANT	0.00%		0	
362.00	GAS HOLDERS	0.00%		0	
363.30	COMPRESSOR EQUIPMENT	0.00%		0	
371.70	OTHER EQUIPMENT-TRANSMISSION- MONAT	0.00%		0	
375.01	STRUCTURES & IMPROVEMENTS	1.64%	61	0	
376.01	MAINS--STEEL (INCLUDES ACCOUNT 367.70 TRANSMISSION MAINS)	1.27%	79	0	R2
376.02	MAINS--CAST IRON	1.25%	80	0	R0.5
376.03	MAINS--PLASTIC & COPPER	1.43%	40	0	R3
378.01	MEASURING & REGULATING STATION EQUIPMENT	2.22%	45	0	S1
379.01	MEASURING & REGULATING STATION EQUIPMENT-CITY GATE CHECK STATIONS	2.22%	45	0	
380.01	SERVICES--STEEL	2.27%	44	0	R0.5
380.02	SERVICES--PLASTIC & COPPER	2.22%	45	0	R2
381.01	METERS	2.63%	38	0	S0.5
383.01	HOUSE REGULATORS	2.13%	47	0	R3

LACLEDE GAS COMPANY DEPRECIATION		CASE NO. GR-2002-356			
ACCOUNT NUMBER	ACCOUNT	DEPRECIATION RATES (%) 1-1-03	AVERAGE SERVICE LIFE (YEARS)	NET SALVAGE (%)	IOWA CURVE
385.01	COMMERCIAL & INDUSTRIAL REGULATING EQUIPMENT	2.50%	40	0	L0.5
386.01	OTHER PROPERTY ON CUSTOMERS' PREMISES	0.00%		0	
387.01	OTHER EQUIPMENT	3.13%	32	0	S0
390.01	STRUCTURES & IMPROVEMENTS	2.50%	40	0	S0.5
391.01	OFFICE FURNITURE & EQUIPMENT	2.70%	37	0	L0
391.02	DATA PROCESSING SYSTEMS	9.09%	11	0	L1
391.03	MECHANICAL OFFICE EQUIPMENT	9.09%	11	0	L0.5
391.04	COMPUTERS AND PERIPHERAL EQUIPMENT	20.00%	5	0	
392.01	TRANSPORTATION EQUIPMENT- AUTOMOBILES	16.67%	6	0	L3
392.02	TRANSPORTATION EQUIPMENT-TRUCKS	8.33%	12	0	L3
393.01	STORES EQUIPMENT	2.22%	45	0	L0
394.01	TOOLS, SHOP & GARAGE EQUIPMENT	2.63%	38	0	L0
395.01	LABORATORY EQUIPMENT	3.57%	28	0	R1.5
396.01	POWER OPERATED EQUIPMENT	7.14%	14	0	L1.5
396.02	POWER OPERATED EQUIPMENT- TRUCKS	7.14%	14	0	
397.01	COMMUNICATIONS EQUIPMENT	5.56%	18	0	L3
398.01	MISCELLANEOUS EQUIPMENT	3.45%	29	0	L0.5

Aggregate Accounts are inclusive of Sub-Accounts

Laclede Gas Company

For

Refer to Sheet No. R-1

.....  
Name of Issuing Corporation or Municipality

.....  
Community, Town or City

.....  
**RULES AND REGULATIONS**  
.....

33. Off-System Sales (continued)

(2) Accounting:

The Company shall maintain separate revenue and expense accounts to record its OS-Sales transactions, which accounts shall be audited and subject to modification by the Commission at the same time the Company's other gas costs for system supply purposes are reviewed pursuant to the ACA process. Each OS-Sales transaction shall be accounted for and analyzed separately.

(3) Record Keeping:

For the first day of each month and for each day where a subsequent change in the cost of gas supplies or in the cost of delivery thereafter occurs, the Company shall construct and retain a CGS-Schedule. This CGS-Schedule shall provide contract volumes, scheduled volumes, available volumes, unit commodity cost of gas, and unit transportation costs associated with the delivery of gas to the Company's city gate for all of the Company's gas supply contracts. The CGS-Schedule will also provide information relating to any OS-Sales. This information will include the location of sale, volume sold, sales price, total revenue from the sale, the unit commodity cost of gas used for the sale, unit transportation costs to point of sale, any other costs or cost reductions associated with the sale (e.g. avoided penalty costs) and the total costs associated with the sale.

To the extent that the CGS-Schedule costs associated with the OS-Sales are different than the costs accrued for each transaction, the Company will prepare and retain a complete explanation and related records regarding such difference. If the CGS associated with the volumes of gas distributed to the Company's system sales customers is at a higher cost than the OS-CGS for the OS-Sale, the Company shall document all reasons for each such occurrence and shall retain the documentation explaining such costing-

In the event the OS-CGS assigned to the OS-Sale is less than the highest price, as described herein, nothing in this tariff shall preclude the review of such transaction or impair a party's right to propose an adjustment in connection with such transaction in the relevant ACA proceeding.

This tariff shall be subject to the terms of Paragraph 12 of the Partial Stipulation and Agreement approved by the Commission in Case No. GR-2002-356. In the event of a conflict between Paragraph 12 of the Partial Stipulation and Agreement and this tariff, Paragraph 12 of the Partial Stipulation and Agreement will be controlling.

(4) Limitation on Sales:

The Company's OS-Sales shall be made on an as-available basis.

The Company shall make no individual OS-Sale where a negative margin results, unless the Company determines and documents that such a transaction is not detrimental to the Company's customers.

DATE OF ISSUE

.....  
Month Day Year

DATE EFFECTIVE

.....  
Month Day Year

ISSUED BY

.....  
Name of Officer

.....  
Title

.....  
Address

ATTACHMENT 2

**CLASS COST-OF-SERVICE**  
**AND WATER HEATING STUDIES AGREEMENT**

In order to improve the reliability of Class Cost-of-Service Studies, Laclede shall supply the following information, which is related to the Cost-of-Service Classes listed below, to the Staff, and the Office of the Public Counsel:

Cost-of-service classes:

Residential  
Small General Service  
Medium General Service  
Large General Service  
Large Volume Sales  
Interruptible Sales  
Basic Transportation  
Firm Transportation  
Vehicular Fuel  
Unmetered Gas Lights  
Liquid Propane – Residential  
Liquid Propane – Commercial and Industrial

Distribution Meters/Regulators:

“Typical” installation(s) for each class – type, capacity, cost  
Trended (replacement) cost information – to the extent it can be obtained - type, capacity, material, cost  
Embedded cost information – to the extent it can be obtained - size, capacity, original cost, age

Distribution Services:

“Typical” installation (s) for each class – diameter, length, installed cost  
Trended (replacement) cost information – to the extent it can be obtained - diameter, material, installed cost  
Embedded cost information – to the extent it can be obtained - diameter, length, material, original cost, age

Distribution Mains:

Embedded cost information – to the extent it can be obtained, diameter, length, material, original cost, age, mains pressures

Special Studies:

Meter Reading  
Customer Billing and Collection  
Customer Service and Informational expense  
End-Use-Studies of residential, commercial, and industrial general service customers will be performed to determine the pattern of seasonal use of natural gas for water heating and space heating. The study shall be designed by a collaborative effort on the part of the

Company, the Staff and the Office of the Public Counsel and the industrial customer participants in this proceeding. This study shall include an analysis of the end use stratified by demographics such as, but not limited to: customer income, gas use, and type of appliances.

The Parties shall meet within 90 days of the effective date of the Stipulation and Agreement in this case to determine the exact nature and availability of the information and the form in which it is to be submitted.

The information shall, in any event, be provided to the Staff and OPC in a mutually agreeable format no later than with the filing of Direct Testimony by the Company in Laclede Gas Company's next rate case.